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Effectively Educating Consumers And Promoting Good Corporate Image Through Financial Literacy Partnerships

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EFFECTIVELY EDUCATING CONSUMERS
AND PROMOTING GOOD CORPORATE IMAGE
THROUGH FINANCIAL LITERACY PARTNERSHIPS

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ABSTRACT

Effectively Educating Consumers and Promoting Good Corporate Image

Through Financial Literacy Partnerships

By Sharon L. Nieuwenhuis

The purpose of this study is to explore how financial service corporations and financial literacy associations can best partner to develop effective financial literacy initiatives, creating more educated consumers and promoting good corporate image.

The author's hypothesis attempts to prove that financial service corporations can most effectively partner with financial literacy associations by entering into long-term, multi-pronged partnerships that utilize proven educational methods, employ the use of public relations, and are tailored to the strengths, philosophies, and resources of both the financial service corporation and financial literacy association.

The researcher conducted a case study of two financial literacy initiatives involving partnerships between financial service corporations and financial literacy associations to determine their effectiveness. The initiatives that were assessed are partnerships between the financial service corporation Citigroup® and the financial literacy association Operation HOPE®, and the partnership of the financial service corporation Merrill Lynch® and the financial literacy partners Investing Pays Off®. In addition, the researcher interviewed financial literacy association executives to gain their

viewpoints on vital components for the implementation of a successful financial literacy initiative.

Following research and analysis, this study supports that a financial literacy initiative must have set goals and objectives in order to be effective. In addition, the researcher has found that collaboration, with one or multiple associations, is a necessary component for a successful financial literacy initiative. This study indicates that a successful financial literacy initiative should be multifaceted, which enables the initiative to reach multiple audiences in an effective educational fashion and promote good corporate image through focused publicity efforts.

Based on the research conducted, case study, and interviews with financial literacy association executives, the researcher found the hypothesis of the study to be true. In addition, the author found that both the Citigroup and Operation HOPE and Merrill Lynch and Investing Pays Off campaigns are effective based on the tenets of this study.

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CHAPTER I

Introduction

Financial literacy is at one of the lowest levels in history. According to a study conducted by the National Endowment for Financial Education, a non-profit foundation focused on helping Americans take control of their finances, "The burden is too much for most Americans. Research shows that a large percentage of people of all ages, incomes, and education levels lack the basic financial knowledge and skills to ensure long-term stability for themselves and their families" (NEFE, 2002). There are a great number of organizations dedicated to improving the nation's financial literacy, called financial literacy associations. Financial literacy associations often partner with financial service corporations to create programs that teach people how to understand and manage their finances better.

Many initiatives have been developed in recent years, however it is difficult to measure their effectiveness, and there are very few existing means for measurement (Gramlich, 2002). The purpose of this study is to identify how financial service corporations and financial literacy associations can work together to develop financial literacy initiatives that effectively educate consumers and promote a good corporate image.

Research Statement

This study explores how financial service corporations and financial literacy associations can best partner to develop effective financial literacy initiatives, creating more educated consumers and promoting good corporate image.

Financial Literacy is defined as "the ability to read, analyze, manage, and communicate about the personal financial conditions that affect material well being" by Lois Vitt, Chair and Founding Director of the Institute for Socio-Financial Studies (Vitt, 2000). In layman's terms, this means that financial literacy is the understanding of how to manage money well and make wise financial choices.

The author's personal interest in this study is that while working in financial service corporations, the author has learned about and has been proposed many financial literacy initiatives. However, the author has found little information regarding determining which initiatives would be wise, due to the proliferation of programs and lack of access to meaningful measurement concerning these programs. (NEFE, 2002). The author would like to determine which elements are critical for success when developing a financial literacy initiative, and will attempt to do so in this study.

In this thesis, the researcher will conduct a case study of two financial literacy initiatives involving partnerships between financial service corporations and financial literacy associations, to determine their effectiveness. The initiatives that will be assessed are partnerships between the financial service corporation Citigroup® and the financial literacy association Operation HOPE®, and the partnership of the financial service corporation Merrill Lynch® and the financial literacy partners Investing Pays Off®.

Hypothesis

The author's hypothesis will attempt to prove or disprove the following:

Financial service corporations can most effectively partner with financial literacy associations by entering into long-term, multi-pronged partnerships that utilize proven educational methods, employ the use of public relations, and are tailored to the strengths, philosophies, and resources of both the financial service corporation and financial literacy association.

Subsidiary Questions

In addition to proving or disproving the hypothesis, a series of subsidiary questions will be addressed in this thesis, including the following:

- How can financial service organizations create more financially literate youth and adults utilizing financial literacy partnerships?
- How can financial literacy programs best capitalize on the knowledge and expertise of financial service corporations?
- How can financial literacy programs best capitalize on knowledge and expertise of financial literacy associations?

- What measures can be established to ensure legitimate educational value and program accuracy?
- What is the most effective method of teaching adults financial literacy?
- What is the most effective method of teaching children financial literacy?
- What is the best way to ensure that adults and children retain financial literacy knowledge?
- How can financial literacy programs contribute to smarter consumer activity?
- How can financial service corporations improve their financial picture through employing financial literacy initiatives?
- How can financial service corporations promote themselves through these initiatives without sacrificing the integrity of the program?
- How can financial literacy programs be measured most effectively and accurately?

Assumptions

In the author's research and analysis, the following assumptions were made:

- Financial service corporations believe that financial literacy initiatives (educational partnerships with associations) are worthwhile. However, corporations often need guidance regarding the selection of the most appropriate and effective partner, as well as guidance regarding how to make these partnerships most effective.

- The financial service corporations and financial literacy associations that this thesis highlights promote their initiatives accurately within their organization and to the public.
- The financial service corporations and financial literacy associations that this thesis highlights report financial data accurately.
- Any program evaluation by a third party that is referred to in this thesis is accurate, fair, and valid.

Definitions

The following definitions clarify and provide context to the terminology used in the thesis:

Financial Literacy:

"The ability to read, analyze, manage, and communicate about the personal financial conditions that affect material well-being. Financial literacy includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future, and respond competently to life events that affect everyday financial decisions, including events in the general economy" (Vitt, 2000).

Financial Literacy Association:

An association dedicated to financial literacy efforts for children and adult consumers alike. This association may or may not be non-profit, and may or may not be a subsidiary organization of a financial service industry association. The association does not have to be dedicated only to financial literacy.

EXAMPLE: Operation HOPE

Operation HOPE is a national non-profit self-help organization that seeks to bring economic self-sufficiency and a sustained spirit of revitalization to America's inner city communities. This association pursues this objective through ongoing collaborations and long-term partnerships with leading government, private sector, and community interests. Operation HOPE utilizes effective, hands-on implementation of results oriented specialized empowerment programs focusing on economic empowerment, digital empowerment, economic education, and economic literacy (operationhope.org, 2005).

Financial Service Corporation:

A publicly or privately held financial service company that offers single or multiple financial service products to consumers.

EXAMPLE: Citigroup

Citigroup Inc. is a pre-eminent financial service company, with some 200 million customer accounts in more than 100 countries. The corporation's history dates back to the founding of Citibank in 1812 (Citigroup.com, 2005).

Effective Partnership between Financial Literacy Association and Corporation:

One that provides valuable life ability to discern financial choices, discuss money and financial issues wisely, plan for the future, and respond competently to life events that affect everyday financial decisions. It should educate individuals effectively regarding financial literacy, promote the corporation and association and their partnership without tainting the integrity of the campaign, and have a goal that is embraced by both parties.

Limitations

Due to limited time and space, this thesis is based upon a single, but in-depth case study of two initiatives, which will limit the scope of conclusions of this study. However, as these initiatives have received awards from the Jump$tart Coalition for Personal Financial Literacy, it is understood that these initiatives are exemplary in the realm of financial literacy.

Due to the researcher's employment constraints, the researcher was unable to speak with many individuals at financial service associations, as they work closely with the researcher's corporate competitors. The author was able to secure interviews with the following individuals: Randy Lively, President of the American Financial Services Association and Jump$tart Coalition for Personal Financial Literacy, Dan Thoms, Vice President of Education and Business Development, Mortgage Bankers Association, and

Lisa Boudin Carter, Executive Director of the BorrowSmart Education Foundation. The author also was able to conduct a very brief interview with Laura Levine, Executive Director of the Jump$tart Coalition for Personal Financial Literacy.

As the researcher handles public relations for a financial service organization, the researcher was unable to speak with individuals at other financial service corporations regarding their financial literacy programs for competitive reasons. For this same reason, the researcher did not contact Citigroup or Merrill Lynch directly for input about their initiatives. Therefore, the data regarding the financial service corporations programs relies on public information, including marketing materials, Web site content, information reported by the media, third-party assessments, and publicly reported financial data.

It is possible that the perspective provided by association executives is somewhat biased, as they do solicit funding and support for financial literacy initiatives from financial service corporations, and develop financial literacy initiatives with corporate partners as a primary means of business development. For this reason, association interviews within this thesis are balanced with viewpoints of other financial literacy experts gathered through research.

CHAPTER II

Background

Nationwide Lack of Financial Literacy

A decline in financial literacy among adults and children has been widely reported during the last decade (Federal Reserve Bulletin, vol. 88, March 2002). This issue has become very popular, and television and radio programs, as well as Web sites, books, magazines, and newspaper columns are now dedicated specifically to financial literacy. In addition, financial literacy is the object of countless programs, meetings, projects, classes, and seminars for consumers and financial service professionals. Despite these numerous efforts on multiple fronts, financial literacy continues to be low (Braunstein and Welsh, 2002).

According to William L. Anthes, President and CEO of the National Endowment for Financial Education, "There are hundreds of programs out there, targeting virtually every age group and category of Americans" (Mead and Bowditch, 2004).

Low Levels of Adult Financial Literacy

Statistics show that the majority of adults have low levels of financial literacy. Survey results released in March 2004 by the Consolidated Credit Counseling Services Inc. cited that the United States as a whole is in "debt overload." This survey of 5,000 consumers revealed that credit-card use is reflecting some potentially dangerous patterns:

58 percent of participants say their credit cards are at or near their maximum credit limit, 37 percent have taken cash advances from one credit card to make monthly payments on another credit card, and 59 percent pay only the minimum amount due on credit cards each month. This behavior is occurring at a time when there is high unemployment and people are saving only about one percent of their income nationwide (consolidatedcredit.org, 2004).

Low levels of financial literacy are affecting all adults, regardless of age. In March 2004, Aleksandra Todorova provided a bleak perspective on the financial literacy of senior citizens in an article titled "The Senior Debt Crisis" published in *Smart Money* magazine. She cited that according to a recent survey by Demos, a New York-based research and advocacy company, nearly one-third of senior citizens in the U.S. carry credit card balances. Within that group, the average debt is $4,041 — an 89% increase since 1994. The debt increase is particularly sharp during the first years of retirement. The study found that people ages 65 to 69 saw their credit-card balances grow by 217% to $5,844 on average during the decade (*Smart Money*, 2004).

According to a July 2004 article in SmartMoney.com by Aleksandra Todorova, personal bankruptcy rates are climbing throughout the country. This article states that there were 801,817 bankruptcy filings in the United States in the first half of 2004 alone (*Smart Money*, 2004).

The National Endowment for Financial Education has done extensive research and analysis of financial literacy, and the lack thereof. From October 9-11, 2002, this organization held a financial education summit in Denver, Colorado called "The State of Financial Literacy in America—Evolutions and Revolutions." At the summit, theories cited for the low literacy rates included ignorance, lack of personal accountability, lack of awareness, education, and empowerment to make the right decision (NEFE, 2002).

Accountability was a frequently recurring theme at the summit, with one panelist stating, "Government and industry have created a social environment where people become dependent on them" (NEFE, 2002). Many conference attendees believed that consumers need to be educated in order to be empowered, rather than use the system as a crutch as a result of an attitude of dependency (NEFE, 2002).

Low Levels of Children's Financial Literacy

Children also a have low level of financial literacy. Data gathered by the 2004 Jump$tart Coalition for Personal Financial Literacy survey shows that students answered 52.3 percent of the survey's financial literacy questions correctly. That score is an increase from 50.2 percent in 2002 and 51.9 percent in 2000, but still at failing level. In fact, 65.5 percent of students failed this exam based on a typical high school grading scale (Jumpstart.org, 2004).

The Beginning of Financial Literacy Initiatives

Financial literacy initiatives in various forms have existed since the beginning of finance management itself, even though they were not formally identified as financial literacy initiatives. According to the study titled "Financial Literacy: An Overview of

Practice, Research, and Policy" by Sandra Braunstein and Carolyn Welch of the Division of Consumer and Community Affairs:

> Efforts to improve the quality and increase the amount of financial information provided to consumers have been in place for many years. In a broad sense, the disclosure of key terms and costs of lending and deposit transactions dictated by federal consumer protection laws constitute a financial education tool…what is new is the proliferation of programs (Braunstein and Welch, 2002).

According to "The Greatest Generation's Advantage," a January 2004 article in *Credit Union Magazine,* financial literacy has existed since the early 1900s. It is believed by some that children were actually more financially knowledgeable at that time, due to the education they received in the classroom. "Children were financially savvy. They had good, basic skills. They navigated all these financial issues that young adults today do not know how to handle" (Mead and Bowditch, 2004).

The above mentioned article recalled a symposium where Lois Vitt, Ph.D., Chair and Founding Director of the Institute for Socio-Financial Studies pointed out the relevance of the history of financial education. Vitt presented a series of old elementary school textbooks (Mead and Bowditch, 2004). The books consisted of two sets of texts, including *The Essentials of Mathematics* and *The Thorndike Arithmetics*, both written by Samuel Hamilton, Ph.D.

Published in 1919 and 1920, the textbooks emphasized practical financial knowledge. In the fifth grade, students using the Hamilton texts were examining bills and receipts. Students in eighth grade learned about the importance of saving, borrowing money, calculating debt, and balancing a checkbook. One exercise required students to solve problems based on the debts incurred by various nations during World War I. Later books taught even more complicated concepts, including interest, credit, budgeting, and investing (Mead and Bowditch, 2004).

These textbooks apparently fell out of use in the 1940s or '50s. Vitt speculates that the change was due to a shift in priorities after World War II: "More people were going to college at that point. That would have affected the way arithmetic was taught. We went from applied arithmetic to a more abstract approach. The emphasis changed to prepare students for the sciences" (Mead and Bowditch, 2004).

William L. Anthes, President and CEO of the National Endowment for Financial Education, said at the aforementioned symposium that the focus on preparing students for the sciences still dominates American education today. This is of concern as Americans are now dealing with financial issues daily that earlier generations did not, such as defined contribution plans, IRAs, 401K plans, and other complicated matters (Mead and Bowditch, 2004).

Randy Lively, President of the American Financial Services Association and the Jumpstart Coalition for Personal Financial Literacy had similar findings. In an interview with the researcher, he stated:

Until 1953 or 1954, the United States school curriculums included a definitive set of money management and spending skills including 4H and home economics. All these programs revolved around the core of money management. That education was referred to as vocational. Young boys took manual training (saw, hammer) in the classroom, and young girls took home economics. Since 1955 - 1957, people have been coming out of school with no clue how to act in the financial marketplace. Simultaneously, the US was starting to develop technology behind credit cards and the Internet, tools that enable people to spend their money at any time. Without understanding the self-limiting realities of finances, these individuals are creating huge costs for themselves and for financial service institutions because of their credit misuse. As a result, many corporations have come to realize that it is wise to provide financial education to consumers. At AFSA, we came to the conclusion in 1995 that the only way we were going to be effective was to get back into the school system--in elementary, middle school, high school, and college. What we will ultimately achieve from this effort is an adult population who will know how to best use financial products (R. Lively, personal communication, March, 2005).

The Late 1990's Financial Literacy Initiative Craze

Since the late 1990s, many financial literacy programs have been created. A study commissioned by Fannie Mae involving partnerships between corporations and financial literacy associations called "Personal Finance and the Rush to Competence" found that "two-thirds of the ninety formal financial literacy programs that it examined began in the 1990s and that three-fourths of those were initiated in the late 1990s or 2000" (Vitt, Anderson, Kent, Lyter, Seigenthaler and Ward, 2001).

Financial Literacy Initiatives for Children

Children have been the focus of many of these financial literacy initiatives. The 2001 Consumer Bankers Association survey, "Financial Literacy Programs: A Survey of the Banking Industry," reported that "three-fourths of responding banks reported that they support children's financial literacy programs in public schools, through direct investment and participation in training initiatives" (Consumer Bankers Association, 2001).

Why Initiatives are Popular Now

There is great deal of commentary as to why financial literacy initiatives have become so popular at this point in history. The sections below outline theories regarding why the financial literacy initiatives are so popular right now.

Economic Impact of Low Financial Literacy

Research has shown that our economy is reliant upon wise consumer behavior, including smart money management by individuals and entities, in order to thrive. Therefore, one theory regarding the increase in financial literacy efforts since 1990 is the necessity of consumer understanding of finance management in order to prevent economic failure and to encourage an economic upswing. The author found this issue particularly important to government official Senator Edward Gramlich. He states:

> There is a strong link between financial literacy and other economic objectives. All markets function best when participants are educated. If housing markets work well, communities thrive . . . Consumers who are financially knowledgeable are more likely to behave in financially responsible ways. These consumers shop for financial products and services. They pay their bills on time . . . they save more, and more regularly (Gramlich, 2002).

Increasingly Sophisticated Marketplace for Adults

Another theory for the increase in financial literacy efforts since 1990 is the necessity of consumer understanding of increasingly sophisticated financial service products. The researcher found that without proper education regarding use of new financial service vehicles, the United States economy could suffer. Braunstein and Welch state:

> The forces of technology and market innovation, driven by increased competition, have resulted in a sophisticated industry in which consumers are offered a broad spectrum of services by a wide array of providers... Numerous factors have led to a complex, specialized financial services marketplace that requires consumers to be actively engaged if they are to manage their finances effectively (Braunstein and Welch, 2002).

Research shows that without this financial education, our sophisticated marketplace could be detrimental, rather than beneficial to the consumer population and the economy.

According to an American Banker interview on October 29, 2004 with Dan Iannicola, Jr. the Treasury Deputy Assistant Secretary in the U.S. Treasury Department's Office of Financial Education, "a large increase in the availability of services and products has moved financial literacy to the front burner and highlighted the need for it. But there is still a gap. We have more choices than knowledge" (American Banker, 2004).

Politicians, such as Edward M. Gramlich and Alan Greenspan have written and spoken regarding the importance of financial literacy in the sophisticated marketplace of today. In an address of the Federal Reserve at the Georgia Summit on Economic and Financial Education at the Federal Reserve Bank of Atlanta in Atlanta, Georgia on September 4, 2003, Edward M. Gramlich stated:

Financial markets are becoming steadily more sophisticated and expansive. Consumers are required to assume ever-greater responsibility for managing their personal finances, such as their employer-sponsored retirement savings accounts. The result is that the need for financial education is also growing (Gramlich, 2003).

Greenspan's comments before the Committee on Banking, Housing, and Urban Affairs at the U.S. Senate on February 5, 2002, emphasize the value of market sophistication. He states that in order to ensure present and future credit options remain available for both consumers and the economy, there must be education surrounding financial products and services:

> Given the importance of accurate and timely information in the financial services industry, it is not surprising that this sector has benefited enormously from the innovative application of new technologies that have facilitated the development of a wide range of new financial providers and products. For consumers of household and business credit, computer and telecommunications technologies have lowered the cost and broadened the scope of financial services. As a consequence, we have seen a proliferation of specialized lenders and new financial products that are tailored to meet very specific market needs. At the same time, the development of credit-scoring tools and the securitization of loan

> pools hold the potential for opening doors to national credit markets for both consumers and businesses. In addition to technological advancement, deregulation has created important structural changes in the financial services industry and contributed significantly to creating a marketplace that is increasingly competitive and highly innovative as a result of the entry or expansion of new players . . . For an increasingly complex financial system to function effectively, widespread dissemination of timely financial and other relevant information among educated market participants is essential if they are to make the type of informed judgments that promote their own well-being and foster the most efficient allocation of capital (Greenspan, 2002).

Increasingly Sophisticated Marketplace for Children

Research shows that the financial marketplace has become more sophisticated for children. In addition, children are, like adults, lacking adequate financial education. Meanwhile, there is an increased amount of marketing to children, encouraging them to spend. Catherine Pulley, spokesperson for the American Bankers Association Education Foundation states, "Children younger and younger every year are being targeted by advertisers to spend. Since they're receiving those messages, we need to teach them the importance of being financially literate" (citigroup, 2004).

Research also shows that children's financial attitudes and behaviors are being shaped at young ages. According to the American Bankers Association Education

Foundation, spending and saving habits are shaped as young as between 5 and 7 years old (McMillan, 1999). As a result of increased marketing to children, the researcher found that children are currently exercising a great deal of purchasing power, without financial know how. Teen Research Unlimited found that teenagers spent $175 billion in 2003, an average of $104 per week (BusinessWire, 2004). Most of this purchasing is occurring without any financial education.

Barbara Ralston, chairman of the ABA Education Foundation, at the presentation of a financial literacy tool called the *Get Smart About Education Kit* by the American Bankers Association (ABA), stated that "most of the consumers in the 16-22 age group have never taken a class in personal finance" (aba.com, 2004).

Research shows that the low level of adult financial literacy and adult credit misuse makes the need for children's financial literacy efforts much more vital. According to an interview with Catherine Pulley of the American Bankers Education Foundation posted on *CNNMoney.com*, "It's extremely important that kids learn the importance of savings. With high personal bankruptcy, low savings rates and credit, now more than ever it's important to teach people the value of good financial fitness" (McMillan, 1999).

Public Relations: Building Consumer Credibility to Gain Customers and Defend Practices

Another theory why financial literacy initiatives are so popular is that financial service companies are finding a need to reach out to potential customers through alternative marketing methods like public relations. Public relations campaigns are viewed as more credible to the average consumer than traditional advertising, such as television and print advertising, according to American Bankers Association Education Foundation findings (Pulley, 2004). A public relations program focusing on financial education, rather than traditional marketing, helps to gain consumer trust.

For example, Countrywide® employed a financial literacy public relations campaign in partnership with U.S. Conference of Mayors' National Dollar Wi$e Financial Literacy Campaign in January 2005. In conjunction with the campaign, Countrywide made a commitment to donate $1 million over the next five years to the U.S. Conference of Mayors' National Dollar Wi$e Financial Literacy Campaign. Jimmie Williams, First Vice President of Government Affairs at Countrywide provided the following context about the public relations program and its opportunity for impact:

> The campaign is an excellent opportunity for mayors and cities to promote tailored financial literacy programs that focus on the specific needs of their constituents… In addition, this donation directly supports Countrywide's

commitment to helping more families and individuals realize the American Dream of homeownership (PRNewswire, 2005).

There is definite potential for Countrywide to acquire new customers and consumer trust through this initiative. As Countrywide is a mortgage provider, and requires consumers to be homeowners in order to utilize their products, by helping people to become homeowners (countrywide.com, 2005), Countrywide is employing an effort that has the potential to help the organization grow its consumer base. In addition, by employing a program that educates and invests in consumer knowledge, Countrywide is gaining consumer trust.

There is an increased need for financial service companies to employ public relations campaigns and gain consumer trust due to an increasingly legislative climate in the financial service industry, as well as increased consumer skepticism. The Consumer Bankers Association's fourth annual financial literacy study, conducted in 2004, cited data supporting that banks are investing in financial literacy initiatives to defend themselves against legislation and from negative press regarding disreputable practices in the financial service industry. Consumer Bankers Association (CBA) President Joe Belew states, "Financial literacy programs are a key part of the effort to fight predatory lending" (cba.net, 2004). The study goes on to state that 78 percent of banks have programs to target issues associated with predatory or abusive lending practices, an increase of seven percent from 2003. These programs warn consumers about unscrupulous lenders, excess interest rates, and other practices that are not in the consumer's best interest (cba.net, 2004).

With an increasingly large focus on legislation in the financial service arena, corporations are hoping to gain the trust of the public by education campaigns and financial literacy efforts, and public relations campaigns are often the chosen vehicle to communicate this message.

The ABA believes programs like these can yield significant public relations dividends for their members in addition to improving financial literacy of prospective customers, as financial literacy initiatives position financial service corporations as credible and trustworthy exercisers of corporate goodwill. Pulley explains:

> We're members of the Jump$tart Coalition, which goes into states to influence personal finance curriculum in the schools. Primarily what this is with our members is a public relations campaign. Not only with our member banks, but to consumers, teachers, and parents. To tell them National Teach Children to Save Day is a great thing, but when it ends, those kids go home and those messages need to be reinforced at home. And we have a public relations campaign that targets the parents, too" (ElectronicPaymentsNews.com, 2004).

Fulfilling Legislative Requirements

Financial literacy initiatives also enable financial service institutions to fulfill their federally mandated community reinvestment requirements. According to Braunstein and Welch (2002) many banks see financial literacy as a favorable way to fulfill their Community Reinvestment Act (CRA) criteria. "Many banks consider their engagement in this area a way to expand their customer base and promote goodwill, and such activities are often given favorable consideration in examinations with the Community Reinvestment Act" (Braunstein and Welch, 2002). The CRA encourages federally insured banks and thrifts to help meet the credit needs of their assessment area, including areas of low to moderate income neighborhoods. This act was put into place by Congress in 1977, and regulation was revised in May 1995 to include financial education grants in low to moderate income areas qualify as fulfilling CRA requirements (Braunstein and Welch, 2002).

Financial Literacy Initiatives for Adults: Return on Investment

There is also promise for corporate return on investment with these initiatives. "Sound financial education is being provided in the hopes of people learning sound financial habits . . . and using them" . . . a 2001 Consumer Bankers Association study indicates. In fact, financial education has been correlated with a decrease in delinquencies. According to a financial literacy study conducted by the Consumer Bankers Association in 2004:

If consumers do not manage their finances well or understand credit terms, they can easily find themselves locked into financial commitments they cannot afford to fulfill. This is bad news for bankers because foreclosures, chargeoffs and bankruptcies can result from decisions made from lack of good financial education (cba.net, 2004).

The National Endowment for Financial Education has done extensive research and analysis of financial literacy, and the lack thereof. From October 9-11, 2002, this organization held a financial education summit in Denver, Colorado called "The State of Financial Literacy in America—Evolutions and Revolutions." At the summit, theories cited for the low literacy rates included ignorance, lack of personal accountability, lack of awareness, education, and empowerment to make the right decision (NEFE, 2002).

Accountability was a frequently recurring theme at the summit, with one panelist stating that "government and industry have created a social environment where people become dependent on them" (NEFE, 2002). Many conference attendees believed that consumers needed to be educated in order to be empowered, rather than use the system as a crutch as a result of an attitude of dependency. Only then are individuals empowered to make sound financial decisions that improve not only themselves, but also the financial health of the financial service corporations and the economy overall.

There are other aspects of corporate return-on-investment positively affected by such endeavors. The mere fact that a company offers these types of initiatives makes employees feel more positive about their employer. According to the Corporate Citizenship Company's study entitled "Good Company, Better Employees," community involvement is one of four critical components that makes employees proud of where they work (corporate-citizenship.co.uk, 2003).

Financial Literacy Initiatives for Children: Return on Investment

Research also shows that children retain their learning from financial literacy training. According to Catherine Pulley of the American Bankers Association Education Foundation (ABAEF), "Students who receive personal financial education typically have higher savings rates than those who have not. They are also more likely to participate in employer 401K plans . . . than their peers who have not received financial education" (aba.org, 2004).

Multiple financial literacy experts, including InCharge Institute of America, Operation HOPE, Citigroup, and the Consumer Bankers Association stand by the philosophy that educating youth leads to long term benefits for financial service organizations. According to these organizations, these educated consumers will be well equipped to use their know how when working with financial service corporations.

Todd Romer, Direct of Business Development at InCharge Institute of America, Inc, a national non-profit personal finance education and credit counseling group, states that, "You can't become a good consumer without good financial education at an early age. That's where financial institutions will always have a return on their investment in this market" (Romer, 2004). Data from a 2004 Operation HOPE study cites that financial literacy initiatives are critical to financial service companies "because banks can receive a return on investment that is far greater than the obvious PR and community-relations benefits. They can receive a future pool of financially savvy, loyal and responsible customers for financial service corporations" (operationhope.org, 2004).

The researcher found these investments are being considered necessary, rather than nice to have, for financial service corporations' financial health. A 2004 press release issued by Citigroup claims that "financial institutions are focusing on educating and informing young children because they have to – their future success as organizations are affected by these habits" (Citigroup.com, 2004). A Consumer Bankers Association 2001 survey brings emphasizes bottom line impact, citing, "When bankers take an active role in educating consumers to manage their finances well from a young age, they're not only doing a good deed for the nation's children today, but they are grooming the next generation to be better and more profitable in the future" (cba.org, 2002).

Financial Literacy Initiatives for Children: Teaching Methodology

Different approaches are used when teaching children. One frequently used method is in-classroom financial literacy courses taught by representatives from financial service corporations. Generally, a partnering financial literacy association develops curriculum. "National Teach Children to Save Day," sponsored by the American Bankers Association, is one program that brings bankers and other financial services employees directly into classrooms. Since ABA began the program in 1997, close to 15,000 bankers have made more than 30,000 financial literacy presentations to almost 750,000 students nationwide" (citigroup.com, 2004).

Andrew Sousa, Vice President of Communications of Los Angeles based Operation HOPE explains that this organization has financial service corporation partners that take active roles educating children through classroom programs. He states, "We have banker-teacher volunteers in classrooms every day year-round with our Banking on Our Future program. The program teaches the basics of managing financial futures and so far has educated more than 126,000 youth about the basics of banking" (operationhope.org, 2003).

Financial Literacy Program Providers

The author has found that financial literacy initiatives are indeed growing in popularity. Financial literacy initiatives have been implemented in many ways, specific to organizational specialty and consumer base. In fact, according to a study by the CBA in 2002, all but two of the 48 retail banks (98%) responding to their recent survey reported contributing to financial literacy efforts in some way (cba.net, 2002).

The researcher also found that some financial literacy initiatives partner with one specific school or community group. For example, LaSalle Bank held an initiative partnering with the Chicago Public Library and the Chicago Public School System. Separately, Citigroup's Operation HOPE program had an element that partnered specifically with the Eastern Branch of the Boys and Girls Club (operationhope.org, 2003).

The trend of creating financial literacy initiatives extends beyond financial service organizations. Even non-finance related organizations are creating and providing financial literacy programs. The Consumer Bankers Association found this to be true in their 2002 survey, which cited, "The providers of financial literacy programs are a diverse group that includes employers, the military, state co-operative extension services, community colleges, faith based groups, and community-based organizations (cba.org, 2002).

Partnership: Who is Best Suited?

There are differing viewpoints regarding ideal partners in financial literacy initiatives. Some experts feel that corporate partnerships with associations are best, while others feel that financial institutions should partner with grassroots community organizations to educate. Still other organizations feel that a solo approach is best (cuna.org, 2002).

Partnership: Solo Approach

Credit Unions are one type of financial institution that the researcher found has been an educator for both adults and children since their inception in 1908. The following text is part of a 2002 study produced by the Credit Union National Association, entitled "Financial Literacy in Schools: The Credit Union Commitment," that details Credit Unions' roles in financial education. Edward A. Filene, considered the father of the American credit union movement in 1908, stated:

> Credit unions are educational institutions. In the decades since, credit unions have been leaders in their communities in the effort to promote financial education, both to adults as well as to the younger generation. Over the years, credit unions' newsletters have included helpful tips to encourage consumers to spend wisely, save regularly, control debt, use credit cards carefully, and plan for the future. Credit unions have educated thousands of consumers through free seminars on everything from buying a car to personal money management.
>
> In the 1970s, credit union volunteers recognized the need to reach out to the nation's youth. Credit unions formed the National Youth Involvement Board (NYIB) to focus on youth marketing, youth education and youth leadership. The NYIB continues to be very successful in providing financial resources to young people and continues to be a completely volunteer-run organization (cuna.org, 2002).

Partnerships: Associations

Treasury Secretary Lawrence H. Summers firmly believes that corporate partnerships with associations are the best way to educate the masses about financial literacy. In his speech entitled "Helping America to Save More." delivered on April 4, 2000 at the Choose to Save Forum in Washington D.C., he stated that employing the resources of associations and knowledge of financial service companies in order to educate effectively was wisest. "It is a strength that we come together to solve common problems. It is in this spirit that you have gathered to consider steps for addressing the problem of inadequate national and personal savings" (Summers, 2000).

The researcher found that there are many benefits for corporations to partner with non-profit associations, regardless of the focus of the initiative. The book *Making Money While Making A Difference* by Richard Steckel, Robin Simons, Jeffrey Simons and Norman Tanen (1999) claims the following benefits for corporations who partner with associations:

- The initiative is less expensive to carry out due to different cost structures.
- Non-profit associations can tailor the product or program to meet corporation needs.
- Non-profit associations can offer access to new geographic markets.
- Non-profit association expertise is more credible to the public and more easily understood by the public than corporate expertise.
- Goodwill is an automatic "rub off" onto the corporation.

- Team efforts get a bigger bang for the buck than individual efforts.

<u>Association Partnerships: Perspectives from Association Executives</u>

The researcher interviewed association executives for their perspective on the benefits of corporate collaboration with associations. The researcher learned that a common goal, organized, yet open-minded collaboration, honest communication, realistic expectations, and appropriate curriculum are all vital components to successful partnerships between financial service corporations and financial literacy associations according to these executives.

Randy Lively, President of the American Financial Services Association, stated:

> The most critical component of a financial literacy initiative is credibility and the acceptance of a program by the educational community. Associations have more credibility than corporations in the public eye. Jumpstart has learned this through a substantial amount of experience. For example, we have learned that school systems are very leery of accepting materials if they are wearing the logo of an institution. A corporation implemented a great financial literacy program years ago that they spent over one million dollars on, creating classroom curriculums with study guides and instructor materials. The program was exceptional, but at the end of the day, they couldn't place it in any school and years later it is still sitting on a warehouse shelf (R. Lively, personal communication, March, 2005).

When creating a collaborative working relationship between a corporation and association, Lively states found trust to be the most critical aspect. He states, "When the American Financial Services Association (AFSA) developed our current financial literacy program, MoneySkill, it carried its own identification, and no corporate logos. Member corporations contributed resource dollars willingly, even knowing that their likeness wouldn't likely be used" (R. Lively, personal communication, March, 2005). Lively went on to explain that he finds that many corporations spend a lot of money and get no interest or result with their logos on programs. "They understand and trust that Jump$tart's method is the best way to best effective--the best way to reach the public to truly educate."

Lively's method is clearly utilizing the distinct expertise and knowledge of the financial literacy association so that corporate partners have a forum for displaying their knowledge and expertise. He states, "Jumpstart is an advocacy group. We're able to give corporations and schools access to all the financial literacy tools that are out there. A corporation can't do that alone" (R. Lively, personal communication, March, 2005). He claims that collaboration is one of the most valuable elements of a partnership, stating, "There are many benefits to collaboration. Everyone spends a lot less, and gets a lot more in return" (R. Lively, personal communication, March, 2005).

Dan Thoms of the Mortgage Bankers Association agrees that collaboration is of great value because of the unique resources and alliances associations can provide. He does not believe in limiting the partnership to just one association, because opening up partnerships to organizations with additional specialties can expand an initiative's impact. He states, "A Mortgage Bankers Association program called *Welcome Home* has multiple non-profit partners. We have a partner that train bilingual participants, and this enables us to reach a market that we might not otherwise have been able to" (D. Thoms, personal communication, March 1, 2005).

Thoms explains that methodology used is also important when creating a financial literacy initiative, and selecting a partner. He claims that the best method to utilize to implement these initiatives is dependent on program variables. "In an MBA online training program, consumers are able to access the program anytime and learn about home finance at their convenience. This model is very successful for this particular initiative, but doesn't work for all programs and participants." Thoms states that face-to-face learning has traditionally been a successful education model to follow, but that measuring the success of the program is more difficult than with Web based programs because you can't see immediate results (D. Thoms, personal communication, March, 2005).

Lisa Boudin Carter of BorrowSmart agrees that collaboration is of paramount importance. Carter states that, "You've got to have consumers, you've got to have non-profits, and you've got to have lenders. The best program in the world is not a success without a commitment of all three" (L. Carter, personal communication, March, 2005). Carter also shares challenges that often need to be overcome during collaboration with corporations. "There is a great deal of education that needs to be done when working with financial service organizations. Lenders need to understand the benefit these programs bring from a community perspective and from a branding perspective" (L. Carter, personal communication, March, 2005). Carter has encountered situations where lenders enter into these programs simply expecting to bring in new customers immediately, and she needs to educate them in order to keep a good partnership and optimal working relationship (L. Carter, personal communication, March, 2005).

Laura Levine, Executive Director of the Jumpstart Coalition for Personal Financial Literacy, finds that corporations often need guidance regarding the extent of program development needed in their efforts. Levine often needs to tell corporations that, "The focus of corporations at this point in time should be on funding initiatives, rather than creating new financial literacy materials. Many materials exist at this point, but funding is needed to get these materials provided to school systems." (L. Levine, personal communication, March, 2005). Her findings are that most corporations are not aware of the extent of materials already created and ready for use and distribution.

Partnerships: Government

The government is actively involving itself in the crusade for financial literacy. (cuna.org, 2004). According to the Jumpstart Coalition for Personal Financial Literacy, in 2002 there was a 200% increase in the number of bills, resolutions, and proclamations in favor of youth financial literacy. Two pieces of legislation concerning financial literacy that have been passed in recent years: the Savings are Vital to Everyone's Retirement (SAVER) Act of 1997, and the No Child Left Behind Act of 2002.

The Savings Are Vital to Everyone's Retirement Act of 1997 (SAVER) was enacted on November 20, 1997. The purpose of the SAVER Act was to advance the public's knowledge and understanding of the importance of retirement savings. The Act includes two financial literacy programs. The purpose of these programs is pure financial literacy--it exists to promote retirement income savings, and to disseminate educational materials specific to retirement savings and the principles of saving and investment (saversummit.gov, 2005).

On January 8, 2002, President Bush signed The No Child Left Behind Act into law, formally recognizing the importance of financial education in school systems by authorizing the use of funds by local educational agencies for assistance programs. Approved usage for funds included teaching basic personal finance and personal financial management skills in schools (ed.gov, 2005).

Partnerships: Communities

Emphasizing the importance of grassroots involvement, Edward Gramlich also makes a case for understanding a community's culture to best address their personal finance needs. Gramlich is a firm believer in financial literacy initiatives that consist of corporate partnerships with community organizations. At a financial literacy teacher-training workshop at the University of Illinois at Chicago on May 2, 2002, Gramlich stated that he believes in partnerships between financial institutions and community organizations to address the problem of low financial literacy, particularly in underserved cultures and communities. He said,

"By working with financial institutions, faith-based organizations, social service groups, youth clubs, and mentoring programs, educators are better able to reach consumers who would otherwise not be aware of available services" (Gramlich, 2002).

Gramlich also suggests specialized product development for specific communities, stating, "financial education will not serve these communities unless financial institutions have products that also address cultural issues. Financial institutions can work creatively with community organizations to develop products and services for financially literate populations" (Gramlich, 2002).

Federal Reserve Board Chairman, Alan Greenspan, emphasizes the value that financial literacy partnerships between corporations and associations bring to communities. He also is in favor of the development of community and culture specific financial service products. At the Ninth Annual Economic Development Summit held at The Greenlining Institute in Oakland, California on January 10, 2002, Greenspan states:

> Community-based organizations have contributed in this evolving marketplace by helping to ensure that traditionally underserved populations and geographic areas are able to achieve gains in asset accumulation. And, as in the broader economy, market-driven innovation has advanced community development, enabling

community-based organizations to more effectively respond to the needs of the communities and families they serve.

Community development organizations working in partnership with financial corporations and governments have created new intermediaries--community development corporations, micro-business loan funds, and multibank and investor loan pools, among them--to provide financial opportunity for lower-income individuals and families. These innovators have succeeded in developing new approaches for engaging disadvantaged participants in the economy in the same manner that any successful organization does--by assessing need, evaluating risks, managing costs, and developing appropriate products.

Educational and training programs may be the most critical service offered by community-based organizations to enhance the ability of lower-income households to accumulate assets. Indeed, analysts have shown that a comprehensive understanding of basic principles of budgeting and saving, at the start, increases household wealth in later years (Greenspan, 2002).

Partnerships with politicians are considered valuable additions to financial literacy initiatives, and the author found that numerous legislators are partnering with various financial literacy initiatives. As part of a Citigroup financial literacy initiative, US Treasury Secretary John Snow visited fifth graders in Harlem, New York to teach children how to tell the difference between their needs and wants, and how to make a budget (aba.com, 2004). In a written statement publicizing the campaign, Snow said, "The value of saving and budgeting is an important lesson for every generation . . . by reaching out to children, we can help establish smart money management habits early. *National Teach Children to Save Day* is a great opportunity to help kids realize that beginning to plan and save today can mean great things tomorrow" (aba.com, 2004).

The researcher found that beyond partnering with initiative implementation of financial literacy programs, politicians are testifying about the importance of these campaigns in many political forums. Federal Reserve Board Chairman, Alan Greenspan, and other leading government officials, educators and advocacy groups testified on February 5, 2002 before the committee on Banking, Housing & Urban Affairs regarding the need to empower consumers with sound financial knowledge and skills. Greenspan's testimony reiterated the importance of financial literacy initiatives in enabling customers to keep up with increasingly sophisticated financial services products in the marketplace, as well as to ensure consumers are able to identify practices and financial services providers that are not in the consumers' best interest (Greenspan, 2002).

The Federal Reserve Bank of Chicago President, Michael Moskow, created a group the Money Smart Advisory Council in July 2001. This council collaborated to create Money Smart Week. This endeavor includes more than 130 events designed to help consumers better manage their finances and provide awareness of financial programs on topics such as budgeting and using credit wisely (chicagofed.org, 2004).

Partnerships: Role Models / Celebrities

In addition to the collaboration of corporation, association, and government, the researcher found proven value in collaboration with role models and celebrities, particularly in children's initiatives. According to a study done by the Consumers Union in 1998 called "Selling America's Kids: Commercial Pressures on Kids of the 90's," kids have looked up to celebrities as heroes and role models for decades (consumersunion.org, 1998).

Merrill Lynch and Cambridge Credit have both employed partnerships with professional basketball organizations as a component of their financial literacy initiatives: Merrill Lynch with basketball star Kurt Thomas, and Cambridge Credit with the Naismith Memorial Basketball Hall of Fame. Partnerships with children's media figures have also been successful. Merrill Lynch partnered with Sesame Street in their Investing Pays Off initiative (PRNewswire.com, 2004). The researcher found these partnerships bring an additional level of public interest to these initiatives, from both children and media, as will later be detailed in the Merrill Lynch case study.

Partnerships: Media

In addition to working in successful collaborative partnerships to implement financial literacy initiatives, the researcher also found working with the media through public relations efforts to be critical to initiative success.

Treasury Secretary Lawrence H. Summers states in a United States Department of Treasury speech in July 2000, "Unless the media gets involved, we will be unable to reach a national audience . . . the media should give the same prominence to issues of financial empowerment that they give to other important national social campaigns" (Summers, 2000).

One way that corporations partner with the media is by capitalizing on regularly scheduled financial literacy media events that the media is already aware of and interested in covering. For example, every April since 1999 the Jump$tart Coalition for Personal Financial Literacy has publicized a *National Financial Literacy For Youth Month* campaign, and encourages partner organizations to employ their own public relations efforts surrounding this event. Many Jump$tart partners capitalize on this built-in media interest and create a public relations campaign surrounding this event that enables them to gain a place in the media spotlight fairly prominently and fairly easily (R. Lively, personal communication, March, 2005).

Financial Literacy Initiative Measurement: Gross Lack of Measurement

While the researcher found that the benefits of financial literacy education are many, research indicates that lack of history of program measurement makes financial literacy programs difficult to quantify. According to Braunstein and Welch,

> While financial literacy training programs have clearly proliferated, research measuring the effectiveness of the training has not kept pace . . . Those studies that have been conducted use a variety of criteria for determining success, ranging from the incidence of default on home mortgages to changes in confidence levels among training participants (Braunstein and Welch, 2002).

The researcher found that there is a more substantial issue than simply lack of measurement. There is also a lack of ability to benchmark current knowledge. On October 29, 2004, Shanker Vivek wrote an article in *American Banker* that cited the lack of measurement of financial literacy initiatives. He writes:

> No one even knows how many Americans lack a bank account. A common statistic tossed around is 10 million households, but that figure has not changed in years, and its original credibility is also suspect.
>
> Though the federal government, banks, schools, and many others are trying to teach Americans about their finances, few data are collected on the effectiveness

of the programs. Without a way to measure progress, it is easy to question whether all the effort at financial education is worthwhile (*American Banker*, 2004).

The researcher also found that, regardless of lack of measurement and benchmarking ability, research indicates that financial literacy programs have not been proven effective. According to the study titled "Financial Literacy: An Overview of Practice, Research, and Policy" by Sandra Braunstein and Carolyn Welch of the Division of Consumer and Community Affairs in 2002:

> The findings of studies of the effectiveness of financial literacy training have been mixed . . . Researchers have been able to determine certain factors critical to program success. These factors include timing and format of training, and setting specific goals at the outset of the program . . . Some programs, particularly those with discrete objectives have succeeded in improving certain aspects of consumers' personal financial management-- such as maintaining a mortgage, increasing savings, or participating in employer-sponsored benefit plans (Braunstein and Welch, 2002)

In an October 29, 2004, in an *American Banker* article titled "Finding a Way to Measure Financial Literacy Efforts" by Vivek Shankar, Stephen Brobeck, the executive director of the Consumer Federation of America, speaks to the lack of empirical financial literacy initiative measurement. Brobeck states, "We've made progress, but there's a long way to go to in establishing a scientific approach to financial education" (*American Banker*, 2004).

In the same article, Angela Lyons, a professor at the University of Illinois at Champaign-Urbana comments on the progress that has been made, and what building blocks the marketplace has to work from. She states, "There are concrete things you can measure: Did they increase their saving, reduce their debt? You can measure changes in attitude and satisfaction levels and general financial behavior" (*American Banker*, 2004).

The author's research found that improved financial behavior does not necessarily follow from increased financial information. Certain factors are beyond the educator's control. Participant traits, such as aversion to change, have impact on whether programs will effect positive change and ultimately lead to long-term financial well-being (Braunstein and Welch, 2002).

Financial Literacy Initiatives for Children: Producing Positive Results

However, information obtained by the researcher shows youth financial literacy initiatives are producing positive results, even though more work needs to be done to sufficiently address the problem. According to the Federal Reserve Bank of Boston, test scores of 35 students at Dearborn Middle School in Boston improved by 700 percent following four weeks of Operation HOPE *Banking On Our Future* classroom education sessions (ING-USA.com, 2004).

As the data from the 2004 Jumpstart Coalition for Personal Financial Literacy shows, students who participated in the 2004 survey answered 52.3 percent of the survey's financial literacy questions correctly. That score is an increase from 50.2 percent in 2002 and 51.9 percent in 2000. However, 65.5 percent of students failed this exam based on a typical high school grading scale, which underscores that although students' financial literacy is improving, there is still a lot more room for more improvement (jumpstart.org, 2004).

Financial Literacy Initiative Measurement: Measuring Return on Investment

In an address of the Federal Reserve at the Georgia Summit on Economic and Financial Education at the Federal Reserve Bank of Atlanta in Atlanta, Georgia on September 4, 2003, Edward M. Gramlich stated:

> With the growth in financial education programs has come an increased interest in measuring the effectiveness of such programs. Performance and outcome measurement should be the way to justify continued support for any program. Further, the data collected for the program evaluation process can identify "best practices" which can be replicated on a broad scale to increase the reach and

effectiveness of successful programs. But unlike readily quantifiable outcome measures such as business profits, a bright-line test of success is not always available for financial education programs. There is often no single outcome that conveys success, and the determinants of achievement may depend on factors that vary from one individual to the next. Further, these programs may not realize a return on their investment for months, or even years.

In considering how to develop measurement criteria for financial education programs, it is logical to begin with primary objectives. The desired outcomes for financial education are:

Getting the message out--that is, increasing consumers' awareness of the importance of financial literacy to their well being.

Altering consumer behavior to improve short- and long-term prospects.

These goals have parallels to other public awareness and educational campaigns, and the parallels can assist in program design and evaluation.

Lisa Boudin Carter, President of the BorrowSmart Foundation, agrees that measuring how often the message is getting out to the public is a good assessment tool. In an interview with the researcher in March 2005, she stated that, "Financial literacy initiative success can be determined by many factors. It can be based on how many materials were distributed, how many attendees came to events, how many hits to a Web site, and/or how many individuals purchased a product" (L. Carter, personal communication, March, 2005).

Carter is also in favor of making quick fixes without formal evaluation, when it makes sense. She states that it is important to continually be tweaking and changing programs. "Simply being in tune to the non-verbal cues that you're receiving from trainees is critical, as well as listening to their verbal and written feedback, as well as attendance rates," Carter stated. "For example, BorrowSmart used a video that was quite effective for a long while. One day, we weren't getting the same interest level from attendees. When we removed the video, we received a great deal of positive feedback again." Carter claimed she was never able to pinpoint an exact reason the video stopped working, but speculated that it likely was due to the audience. Carter stated that, "Naturally, you also always have to be tailoring your program to the specific audience you're working with" (L. Carter, personal communication, March, 2005).

Dan Thoms, Vice President of the Mortgage Bankers Association Education Foundation believes in measurement through collaborative formal goal setting prior to developing and implementing a financial literacy campaign. In a March 2005 interview with the researcher, he states that, "Before beginning any initiative, it's imperative to agree on your goals as a team, so that you're all working toward the same thing . . . A successful financial literacy initiative is one that simply achieves its objective." Regarding how to measure if an initiative achieves its objective, Thoms states that there are lots of different ways to determine this, such as "pre and post assessment testing, and assessing how easily and quickly the participants moved through the process. And, ultimately, if the participant bought a financial services product, or not, is the ultimate determination of success." Thoms continues, "Measurement is identifying your goal and measuring based on that goal. Other important factors to consider include, 'What time was invested in the campaign?' 'Did the person's behavior change?' and, 'Was the program conducted in the classroom or online?'"

Thoms cautions against measurement based on return on investment. "An organization should never go into a financial literacy initiative focusing on return on investment . . . They should educate because the more organizations educate consumers, the more likely they are to get a consumer who understands their obligations" (D. Thoms, personal communication, March 1, 2005).

The researcher has found that while there are many methods for subjective measurement of specific programs, there are no conclusive means that exist for objective measurement of the success of one initiative against another fairly or accurately. Braunstein and Welch (2002) agree, stating:

> The development of consistent standards for measuring results, too, could increase the success of financial literacy programs. Practitioners who can demonstrate the effectiveness of their programs can contribute significantly to the identification of *best practices* and the setting of policies that may lead to

consumers who are better equipped to survive and, more important, thrive in our vibrant, diverse, complex financial marketplace (Braunstein and Welch, 2002).

CHAPTER III

Case Study

Many theories can be explored regarding how to create an effective financial literacy program. In order to best prove or disprove the hypothesis of this thesis, the researcher has chosen to do a case study of two well-known financial literacy initiatives – the Citigroup and Operation HOPE initiative, and the Merrill Lynch and Investing Pays Off initiative. Financial literacy experts (jumpstart.org) have regarded these initiatives as great successes, and the researcher will attempt to uncover if they truly have been successful.

Here, the researcher will present background regarding the organizations and their partnerships. The researcher hopes to uncover what components are vital for a successful campaign, as well as if and how these components can be measured. In the latter portion of this document, the researcher will attempt to measure the success of these initiatives. In addition, the ability to measure the success of any and all financial literacy initiatives will be evaluated in this study. The researcher will determine if a formal means for measurement needs to be created and/or used.

Citigroup and Operation HOPE

For more than a century, Citigroup has helped customers access, build, and manage assets. The organization had also established a solid education foundation by this time. By 2003, Citigroup and the Citigroup Foundation had provided more than $14 million in support for financial education programs and activities that reached millions of people in more than 40 countries on six continents (citigroup.com, 2004).

Partnership Synopsis

As the largest financial service company in the world, Citigroup is financially able and well served to contribute millions to financial literacy efforts. Citigroup has 275,000 employees, and $1.2 trillion in client assets. In 2003 alone, the Citigroup Foundation made 405 grants for financial education totaling $10,144,875. Just a few of the recipients of these grants were the National Community Reinvestment Coalition, Neighborhood Housing Services, and Operation HOPE (citigroup.com, 2004).

In May 2004, Citigroup pledged that it would give $200 million over ten years to support financial education programs and organizations around the world. The organization then established the Citigroup Office of Financial Education to lead its efforts (Prince and Willumstad, 2004). This division is focused on three areas of financial education: personal financial education, small business financial education, and institutional financial education. The goal of personal financial education was to help people save, invest, borrow, spend wisely, and manage debt responsibly; the goal of small business financial education was to help entrepreneurs save, invest and secure financing to manage their capital better and grow their businesses; and the goal of institutional financial education was to support programs that assist governments, academic and financial institutions, and not-for-profit organizations to promote knowledge and sound management of economics, markets and financial systems (citigroup.com, 2004).

Citigroup provided a $250,000 grant to Operation HOPE, which will help the organization deliver *Banking on Our Future* programs to 30 schools in Washington, DC, Oakland, CA, and Harlem, NY. *Banking on Our Future* is a critical component of Citigroup's partnership with Operation HOPE. This initiative is part of the Citigroup Financial Education Program, a global, company-wide effort to identify, support and implement initiatives that help give individuals, families and communities the tools needed to make sound financial decisions (citigroup.com, 2004). Citigroup is also lending resources and more than 300 Citigroup employees as volunteer banker-teachers to educate youth in necessary life skills (citigroup.com, 2004).

Using a growing network of 1,500 trained volunteer banker-teachers, Operation HOPE's *Banking on Our Future* initiative teaches four core modules, and to date has educated more than 126,000 children about the basics of banking, including how to open and maintain a checking and savings account, the power of credit, and basic investments.

Operation HOPE is a national leader in providing economic empowerment tools and services. The organization has more than $185 million in outstanding commitments from its 150 bank and corporate partners for homeownership and small business loans, $117 million in funded loans and over 575,000 customers served via financial literacy education and related services (citigroup.com, 2004).

Through the Operation HOPE curriculum, Citigroup strives to provide financial education to students and educators across the country. Their curriculum is available in English and Spanish, and consists of lessons, a facilitator's guide, a glossary of terms, and an appendix of resources for both facilitators and students. Kindergarten through eighth grade students learn to distinguish between wants and needs and to understand money, savings, compound interest, and budgeting. The teen curriculum provides introduction to financial services, basic banking services, savings and investing, and credit. Citigroup works with community groups to ensure that the new curriculum is widely available (citigroup.com, 2004).

Merrill Lynch and Investing Pays Off

Merrill Lynch is one of the world's leading financial management and advisory companies with offices in 38 countries and total client assets of about $1.5 trillion. With the tradition started by the organization's founder, Merrill Lynch has always made education the primary focus of its philanthropic efforts--seeking to increase opportunities for under-served children and youth. Education received the largest share of the organization's 2001 grants with $11.4 million provided, which is one-third of the organization's total giving. These contributions have remained steady through 2004 (ml.com, 2004).

Merrill Lynch displays its commitment to responsible citizenship on its Global Philanthropy Web page in the following words:

> From optimism comes action.
> At Merrill Lynch, we're making a difference through innovative giving and volunteering. As a global company built on local relationships, we believe Responsible Citizenship is essential to the prosperity and vitality of our communities around the world (ml.com/philanthropy, 2004).

Partnership Synopsis

In Spring 2001, Merrill Lynch announced its partnership with the Investing Pays Off (IPO) California Grants program, a $3.2 million commitment designed to offer under-served children a head start on long-term financial planning and wealth creation in California (ml.com, 2004). Merrill Lynch's partnership with Investing Pays Off will be the second subject of case study in this thesis.

Investing Pays Off is a program that reaches out to young people of all ages, from pre-Kindergarten to post-secondary education, representing a wide range of ethnic backgrounds. The programs take place in schools, community centers and public facilities during the school day, after school and on the weekends. They feature micro-enterprises, youth credit unions, and academic training (ml.com, 2004).

Investing Pays Off, specifically the California grants program, combines the talents of 24 community organizations offering programs to young people with the financial skills needed to invest their own money, start their own businesses and help promote economic opportunities in their communities. By working collectively, the organizations maximize their impact on communities.

The Merrill Lynch Investing Pays Off grants, ranging from $75,000 to $300,000, support programs for up to three years. Grant recipients are chosen through a competitive review process. Organizations will focus their efforts on financial education, investing, entrepreneurship and career development (ml.com, 2004).

Grant recipients range from Juma Ventures, a non-profit organization that provides employment and job-training opportunities for youth ages 14-29 in the San Francisco Bay area to Food from the 'Hood, the nation's first student-operated natural food products company, established by students at Crenshaw High School in Los Angeles (ml.com, 2004).

In 2003, Merrill Lynch created the *Investing Pays Off: It's Never Too Early To Start* curriculum and videos for elementary schools, middle schools, and high schools. This is one of many resources delivered by Merrill Lynch staff volunteers as part of the Investing Pays Off program. Volunteers from within and outside Merrill Lynch have spent thousands of hours with children delivering the 15-course curriculum at schools, community centers, places of worship and Merrill Lynch offices around the world (philanthropy.ml.com, 2004).

Case Study Measurement: Components

Measurement of the programs are comprised of four components: 1) An analysis of news coverage of the financial literacy initiative that will ultimately indicate if a) the media felt spoke positively of this initiative and b) if the media projected the financial service corporation's desired message to the public. In conjunction with the news analysis, there will be an analysis of the public relations efforts conducted around the initiative, the scope of which will include identifying corporate media messaging for the campaign, and its effectiveness and method of delivery. 2) The researcher will interview three experts who are leaders within financial literacy associations to obtain their viewpoints on the necessary components of good financial literacy initiatives, and the author will compare this feedback with the means used in these campaigns. These experts are Lisa Boudin Carter of BorrowSmart, Dan Thoms of Mortgage Bankers Association, and Randy Lively of the Jumpstart Coalition for Personal Financial Literacy. 3) In order to determine if the campaign had a positive financial effect on the financial service corporation, it is necessary to review the corporation's public financial statements, specifically pertaining to this initiative and the years of its implementation. This will help to determine if there was an increase or decrease in the company's overall financial picture. The researcher's ability to measure this will be contingent upon ability to publicly access this data. 4) The final measurement component will consist of analyzing retention of financial literacy learning. In order to do this, information able to be gathered regarding the financial literacy knowledge of the individuals before the campaign and following the campaign will be obtained and analyzed. The researcher's ability to measure this in this study will be contingent upon ability to publicly access this data.

Based on the rationale above, the researcher will complete a news coverage analysis of Citigroup and Merrill Lynch's financial literacy efforts, as well as conduct an analysis of Web site materials and pro-active public relations efforts of Citigroup and Merrill Lynch pertaining to their profiled financial literacy partnerships. The researcher will weigh what Jumpstart, Mortgage Bankers Association, and the BorrowSmart Foundation feel are vital components to financial literacy initiatives. The researcher will analyze financial statements from annual reports to determine if there was an increase in revenue, and the researcher will review any materials available regarding the participants pre-initiative and post-initiative financial literacy knowledge, to determine if the knowledge was retained.

Scope of Interviewees in Third Party Analysis:

The third parties that were interviewed for the purposes of this thesis were representatives from the Mortgage Bankers Association, BorrowSmart Education Foundation, and Jump$tart Coalition for Personal Financial Literacy. As is shown by the organizational descriptions provided below, these organizations are well suited to be one component of evaluating the success of the Citigroup and Merrill Lynch efforts.

The Mortgage Bankers Assocation (MBA) is the national association representing the real estate finance industry, an industry that employs more than 400,000 people in the United States (mba.org, 2005). The association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership prospects through increased affordability, and to extend access to affordable housing to all Americans (mba.org, 2005).

Headquartered in Washington, D.C., the MBA represents more than 2,700 members involved in real estate finance and comprises more than 70 percent of the single-family mortgage market and more than 50 percent of the commercial/multifamily market, including mortgage companies, mortgage brokers, commercial banks, thrifts, credit unions, savings and loan associations, savings banks and life insurance companies (mba.org, 2005).

The Mortgage Bankers Association seeks to create an environment that enables its members to invest in communities and achieve their business objectives. The association creates this environment by developing innovative business tools, educating and training industry professionals, providing a gathering place for the sharing of ideas, acting as the industry's voice on legislative and regulatory issues, and developing open and fair standards and practices for the industry (mba.org, 2005).

The National Home Equity Mortgage Association, also known as NHEMA, is committed to building a generation of informed, responsible mortgage borrowers by giving consumer tools to "borrow smart."

In 2001, NHEMA created the BorrowSmart Public Education Foundation to work with housing and credit counselors around the country. BorrowSmart now operates independently as an organization that provides tools and information to lenders and consumers, helping consumers make smart borrowing choices and furthering financial literacy efforts. (www.nhema.org).

The Jump$tart Coalition for Personal Financial Literacy is a nonprofit organization that seeks to improve the personal financial literacy of young adults by developing, disseminating, and encouraging the use of standards for grades K-12, and by promoting personal finance education at home and in school. Jump$tart's mission is supported by 140 corporations, government agencies, education associations and nonprofit providers of financial education across the United States. Jump$tart has received a numerous awards from the federal government for their efforts and initiatives

(Jumpstart.org, 2003). Jump$tart has formally measured the Citigroup and Merrill Lynch financial literacy initiatives presented in this thesis, and, as such, Jump$tart's insights will be utilized in this study to measure the efforts of these organizations.

CHAPTER IV

Case Study Results

The following is a determination of the corporate media messaging of the Citigroup / Operation HOPE financial literacy campaign and assessment of how this messaging was reflected in the news media. As utilizing the news media effectively is an important piece of measuring the success of a financial literacy initiative, successful corporate messaging creation and communication via public relations programs is critical. As such, the researcher will identify the initiatives' core messaging and themes, and assess how they were communicated in press releases, Web site materials and news interviews. The researcher will ultimately determine if this corporate messaging was successful by assessing if the media projected the same message to the public about the initiative as the corporate media messaging. In addition, regardless of projection of corporate messaging, the media messaging will be analyzed to determine if it was positive or negative overall.

Corporate Media Messaging: Citigroup's Core Messages

The following information was obtained from the Citigroup Web site and in Citigroup publicity materials. The publicity materials project the corporate media messages about Citigroup's partnership with Operation HOPE. Citigroup is attempting to communicate to the public these message points via the news media about their partnership with Operation HOPE.

The primary corporate media message of this initiative is empowerment: giving individuals, families and communities tools to make sound financial decisions. This is demonstrated by the quotes used in the campaign announcement press release and content on the Citigroup Web site.

Alyson Klug, Citigroup's President of the Mid-Atlantic Region, directly used the terms "helping them achieve" and "giving them the tools" in a press release announcing the Citigroup and Operation HOPE partnership on April 15, 2004. This underscores the importance of these points as components of the program and as corporate media messaging. She states:

> Citigroup is a long-standing supporter of financial education and through our efforts we are reaching millions of people, helping them achieve their dreams by giving them the tools to manage their finances responsibly, make informed economic decisions and achieve success. We are pleased to partner with Operation HOPE for this initiative that will give students in the district and in neighboring communities a head start on building bright financial futures (financialeducation.citigroup.com, 2004).

Corporate Media Messaging: Citigroup's Supporting Messages

Citigroup's supporting media messages of this initiative are:

1) Achieve your dreams by managing finances responsibly;
2) Citigroup takes a hand-on approach to providing financial education;
3) Citigroup considers education its civic responsibility.

On the Citigroup Financial Education home page, content focuses on the concept of "Achieve your dreams by managing finances responsibly". It reads, "We support financial education because it helps people understand how to use financial resources, and in the process, raises the quality of life for individuals, families and institutions and strengthens communities around the world" (citigroup.com, 2005).

John Bryant, founder of Operation HOPE endorses that "Citigroup takes a hand-on approach to providing financial education" in many public statements. One such comment is posted on the Citigroup Web site:

> Citigroup's involvement in the *Banking on Our Future* program reaches far beyond financial support. Citigroup employees are in the classroom every day, providing our youth with the knowledge they need to prepare for the economic realities of life and personal finance. When kids know better, they do better, and we look forward to continuing our work with Citigroup to educate our children in financial literacy (Citigroup.com, 2004).

The Citigroup Web site and Citigroup / Operation HOPE press releases also focus on Citigroup's strong feeling that financial literacy is their civic responsibility. One statement from the press release that clearly supports the messaging that "Citigroup is educating because it is their civic responsibility" is: "Financial education is a natural extension of the work we do every day and a major focus of our effort to make a difference in the communities where we live and work" (Citigroup.com, 2005).

<u>Citigroup Corporate Media Messaging: Third Party Media Messaging</u>

As can be seen above, Operation HOPE's founder John Bryant has offered the media many endorsements of Citigroup, which are perfectly in sync with all of Citigroup's media messaging. For example, in the *USA Today* article from April 7, 2004, he states:

> The dollar figure that Citigroup is committing is substantial. It's not just window dressing. It's a long-term commitment. If every Citigroup employee were to take advantage of the opportunity to volunteer, it would be the equivalent of about 1,100 full-time employees dedicated to such programs. (*USAToday*, 2004).

<u>Citigroup News Coverage Analysis</u>

The resulting news coverage from the Citigroup partnership with Operation HOPE was not extensive. The researcher was only able to locate a few articles, which were duplications of press releases sent regarding this effort. For example, Forbes.com features the content of a BusinessWire feed from February 17, 2005, but wrote no commentary (Forbes.com, 2005). Yahoo Finance also ran the content of the BusinessWire feed on their Web site with no commentary (biz.yahoo.com, 2005).

This is considered by the author to be a positive message, as it reiterates the point the initiative is hoping to make, and does provide a positive media endorsement of the message. In addition, it is a direct distribution to the public of the messaging created by the program leaders, which is a positive indicator.

In addition to the reproductions of the press release on Forbes.com and Yahoo Finance, there was one feature article was written on the Citigroup / Operation HOPE initiative, which ran in USA Today on April 7, 2004. The following is text from that article, written by reporter Christine Dugas:

> Citigroup, a global financial service giant, is launching their financial literacy program at the Harlem YMCA Jackie Robinson Youth Center in Manhattan and at more than two dozen cities around the world. The initiative comes as financial products are increasingly complex and financial literacy is low. The company has chosen to make the effort because, "The times cry out for us and the rest of the industry to make investments in our clients," said CEO Charles Prince (*USAToday*, 2004).

Merrill Lynch Corporate Media Messaging: Core Message

The primary corporate media message of the Merrill Lynch campaign is "economic empowerment." Merrill Lynch is committed to improving the economy in underserved communities and is demonstrating their commitment by educating ethnically diverse areas of California that are underserved. To Merrill Lynch, this is the most important point for the public to understand about the initiative.

Merrill Lynch CEO David Komansky issued a statement in an April 4, 2002 press release titled "Merrill Lynch Awards $3.2 Million to Promote Educational Opportunities in Underserved California Communities." In his comments, his use of the words "power tomorrow's economy" and "deliver long term dividends" demonstrate the initiative's focus on economic empowerment:

> This IPO promises to deliver important long-term dividends by helping young people in under-served communities gain the financial and business skills needed to power tomorrow's economy," said David Komansky, Merrill Lynch Chairman and CEO. "Through Investing Pays Off, we are partnering with local organizations to help young people become entrepreneurs and small business owners of the future (philanthropy.ml.com, 2002).

This following language from the April, 2002 Merrill Lynch press release also clearly indicates economic empowerment as a focus. Serving the underserved marketplace is also referred to as critical:

> To address rising concerns that young people lack the financial skills needed to compete and succeed in the global marketplace, the Merrill Lynch Foundation today awarded $3.2 million in grants through Investing Pays Off (IPO), an initiative that supports innovative programs targeting youth in traditionally under-served communities (philanthropy.ml.com, 2002).

The author found that, in the same press release, the focus on empowering diverse youth in underserved areas is well communicated by Merrill Lynch executives. The author found the following two statements, by Claudia Kahn, Senior Vice President for Marketing Communications, and Pete Case, Managing Director for Merrill Lynch in California, to strongly support the message of empowerment:

> While the term IPO typically refers to an initial public offering, Merrill Lynch's IPO program represents an exciting and important opportunity to generate positive returns for under-served communities. Our investment is in the development of these young people and our hope is it will lead to great returns for their communities – Claudia Kahn (philanthropy.ml.com, 2002).

> These grants will help local organizations deliver programs that meet the specific needs of the communities they serve. Earning, spending, saving and investing are essential subjects for all young people if they are to succeed in the fast-paced global economy. Merrill Lynch and our local community partners will be a powerhouse team, helping young people meet this challenge – Pete Case (philanthropy.ml.com, 2002).

Based on the extensive amount of press dialogue regarding economic empowerment concerning this initiative, it is clear that empowerment is Merrill Lynch's core corporate media message. Merrill Lynch clearly communicated the importance of empowering children in underserved communities through the Investing Pays Off media messaging proactively distributed in their press releases.

Merrill Lynch Corporate Media Messaging: Supporting Messages

Citigroup's supporting media messages of this initiative are:

1) The Investing Pays Off partnership is collaborative, employing the best possible resources to ensure the highest level of empowerment.

2) Merrill Lynch & Investing Pays Off reach out to kids on their level and make financial education fun and entertaining.

3) The Merrill Lynch & Investing Pays Off program is cutting edge, providing the best interactive financial education for children.

4) The Investing Pays Off partnership is collaborative, employing the best possible resources to ensure the highest level of empowerment.

In publicity materials, the author found the message concerning collaboration was often emphasized as critical to the campaign. For example, the following paragraph was included in the press release titled "BizWorld Foundation Describes its Recent *Collaborate with a Cause* event for IPO partners in the Northern California area," released on December 3, 2002:

> The IPO California Grants program is part of Merrill Lynch's California Partnership for Economic Achievement, a comprehensive $159 million initiative by Merrill Lynch including The Greenlining Institute and community organizations. The effort is, like Citigroup's, collaborative, utilizing the 24 community organizations in order to make their program a success (Philanthropy.ml.com, 2002).

In the aforementioned press release, the partnership is in fact referred to as "Collaborate with a Cause." The first paragraph of the release states, "On October 17, 2002, eight Merrill Lynch Northern California Investing Pays Off recipients met to "Collaborate with a cause" – to address the need to build young people's skills and knowledge in financial and career readiness and entrepreneurship." (Philanthropy.ml.com, 2002).

When collaborating with partner organizations, it is critical that communications are in sync, to show the public that the organizations are truly working together. In the Merrill Lynch and Investing Pays Off partnership, the author found it to be clear that the partner organization and corporation worked well together, and that their communications efforts confirmed this success.

Merrill Lynch Corporate Media Messaging: Third Party Media Messaging

Beyond interviews and press releases distributed by Merrill Lynch, the author also found program partners to reinforce the campaign messaging. The Greenlining Institute, a key collaborator in this initiative, endorses Merrill Lynch's primary corporate media message of economic empowerment in the following statement by John C. Gamboa, executive director of The Greenlining Institute:

> Collectively, we see these programs as a great way to create best practices in promoting financial and career skills in underserved communities. In addition, Merrill Lynch's IPO program provides a strong platform for collaboration and sharing information among community organizations delivering these innovative programs (philanthropy.ml.com, 2002).

Another initiative partner, The California Council on Economic Education also speaks to the importance of empowerment. The following statement was made in an April 4, 2002 press release titled "Merrill Lynch Awards $3.2 Million to Promote Educational Opportunities in Underserved California Communities" that was distributed by Merrill Lynch by Jim Charkins, Executive Director of the California Council on Economic Education:

> IPO will help community groups reach children with vital information and decision-making skills early in their lives so they can realize their power as America's valuable resource. IPO will provide the resources to help children begin building a realistic path to their futures and see themselves in a whole new light (philanthropy.ml.com, 2002).

Government statements also reinforced Merrill Lynch's corporate messaging. The Governor of California, Cruz M. Bustamante, also communicated a message of empowerment to the media about this program in an April 4, 2002 press release issued by Merrill Lynch titled "Merrill Lynch Awards $3.2 Million to Promote Educational Opportunities in Underserved California Communities," stating, "These young people represent the future of California. Many of them have determination, motivation and the street smarts to succeed. I'm pleased to see Merrill Lynch investing in this great resource" (philanthropy.ml.com, 2002).

Corporate media messaging was also reinforced by campaign partner BizWorld in the press release titled: "BizWorld Foundation describes its recent Collaborate with a Cause event for IPO partners in the Northern California," distributed December 3, 2002, which added credibility to the initiative.

Joyce Friedrichs, The CEO of BizWorld Foundation, an Investing Pays Off partner, stated, "This coalition will help us to maximize our impact on the communities we serve, with the end result of increasing our reach and improving our programs for kids" (philanthropy.ml.com, 2002).

"It's never too young to start," said panelist Gary Knell, president and chief executive of New York-based Sesame Workshop. He discussed the Merrill Lynch and Investing Pays Off *Talking Cents* program, which introduces children to financial concepts. "Even teaching children a lesson like setting limits is critical to building financial literacy," Knell said.

Merrill Lynch Corporate Media Messaging: News Coverage Analysis

The Merrill Lynch/Investing Pays Off campaign received more press coverage than the Citigroup/Operation HOPE initiative. Merrill Lynch media coverage included the *New York Sun*, *New York Post*, the *Record* newspaper, *Crain's Business*, and *Teach* magazine. All news coverage was positive and reported on third party partnerships with NBA star Kurt Thomas and Sesame Street as critical and exciting elements of the partnership.

The article that provided the most positive reflection of the Merrill Lynch/Investing Pays Off initiative was a feature article written in a question and answer format titled "Philanthropy with a Focus on Education." This article was written by A.L. Gordon of the *New York Sun* on October 18, 2004. The interviewee was Eddy Bayardelle, Director of Global Philanthropy at Citigroup. In the article, Bayardelle provided insights regarding the importance of financial education, her own educational background and her passion for education. Reprinted below is a portion of the interview that speaks to how the Citigroup program operates and how it benefits children (*New York Sun*, 2004).

> How many programs do you have?
>
> We have dozens. Our idea is to start small and grow. For example, we have a program for high schools, where they play the Stock Market Game. We work with Kurt Thomas of the Knicks, to help motivate the kids. In our first year, 100 kids played. Last year, our third year, we had 1,600. Based on our success, we started a program for girls only, working with New York Liberty. And now we're talking with the New Jersey Nets, the Miami Heat, and the Phoenix Sun. It's the kind of program you can take anywhere. The good thing is that we've got Merrill Lynch people all over the country, so it's easy for us to get the volunteers.
>
> What do children get out of it?
>
> The key is exposure to a world beyond what they know. The winners of the Kurt Thomas Challenge come here for six-month internships. Many of these kids have never stepped foot in a corporation. We take them to our executive dining room - the idea for us is to show kids early what the possibilities are. Why not have Wall Street as one of your options, whether you live in Bed Stuy or Harlem or the Bronx? (*New York Sun*, 2004).

This article provides proof to the public that Merrill Lynch is truly making an investment in financial education. It also provides endorsement the effort by printing the article in direct question and answer format, and including Bayardelle's complete answers.

An article in the September 7, 2003, *New York Post* written by Stephen Lynch with the headline "Merrill, Big Bird Show Kids Way to Big Board" highlighted Merrill Lynch's Sesame Street activities and partnership:

> Starting this week, financial advice for preschoolers will be brought to you by the letters M and L. Merrill Lynch…is teaming up with the producers of "Sesame Street" to teach children financial responsibility.
>
> The investment bank is distributing teaching aids to preschools in 10 low-income areas nationally, using popular "Sesame" characters to explain earning and saving.
>
> "Surveys show that when kids graduate from high school, they're still lacking financial literacy . . . a number of young people are making the wrong kinds of decisions. As pre-schoolers, kids can learn the foundations of good habits," said Eddy Bayardelle, head of global philanthropy for Merrill Lynch (*New York Post*, 2003).

In addition to traditional media coverage, the initiative has also received media coverage by non-traditional media. These articles add more depth and breadth to the impact of the initiative overall and allow the initiative to reach unique and segmented pockets of readers that Merrill Lynch and Investing Pays Off are looking to target. They also give credence to the credibility and impact of the campaign in the public eye. One example of such non-traditional media coverage is an article posted on the Muppet Central Web site, which wrote an article on the initiative based on information distributed by the *Dow Jones Newswires* wire service.

> Sesame Street now intersects with Wall Street, as the producers of the venerable television show begin a new initiative to teach kids about finance. With the help from Elmo, Rosita and the rest of the gang, "Sesame Street" and Merrill Lynch will launch a 10-city campaign aimed at boosting "financial literacy" in children 3 to 5 years old.
>
> The campaign, which kicks off Sept. 10, uses bilingual Elmo posters and a publication called "Talking Cents" that offers 10 strategies and activities to help parents teach their children about finance. The campaign's mission is to equip preschoolers with the fundamentals of finance and foster a genuine interest in how the economy works.
>
> Sesame Workshop and Merrill will initially distribute 20,000 Elmo posters and 225,000 copies of a special issue of Sesame Street magazine called "Talking Cents" that offers strategies and activities to help adults teach children basic business concepts. There's also a pullout section for kids where they can help Big Bird decide how to spend the money he earns from a bake sale, and go food shopping with Elmo. The magazine is also interspersed with tips in Spanish.

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In New York, Merrill Lynch has partnered with New York Knicks NBA basketball player, Kurt Thomas in sponsoring *The Kurt Thomas Investment Challenge*, in which high school students are awarded summer internships at the brokerage firm. He told the forum:

> I started it because when I received a million-dollar contract, I realized I didn't know how to handle it ... Having the ability to manage your money and investments is essential for both business and personal success. I didn't learn this until I had a few years in the NBA. So I want New York City public high school students to have the opportunity I didn't have (Kertes, 2005).

As the quote above shows clearly, Kurt Thomas' public relations messaging focuses on his personal experience. This messaging from a celebrity is effective. Thomas' involvement in the Kurt Thomas Investment Challenge as a celebrity had proven impact, and this was also demonstrated in the media coverage that resulted from this financial literacy campaign.

For example, Hector Villalone, one of the challenge winners, credited Thomas and the power of celebrity endorsement, when speaking with the media. He states:

> I would have never gotten involved in this game if it wasn't for Kurt Thomas. I was a big Knick fan--and, frankly, there's nothing like the power of celebrity to draw you into something that otherwise would be so alien to all your previous experiences in life (Kertes, 2005).

Thomas' messages to the media quickly shift from his personal story to the importance of financial literacy. He states, "I'm doing this because it's important to open the eyes of our public school students toward different experiences . . . And financial education--the opportunities presented by making your money work for you--is one way to accomplish that" (Kertes, 2005).

Media interviews with the head of Merrill Lynch's financial literacy program, Eddy Bayardelle, First Vice President and Head of Global Philanthropy for Merrill Lynch, reinforce that Kurt Thomas is genuinely dedicated to financial literacy.

Bayardelle states, "Seeing Kurt's passion about this issue, it was impossible for us not to partner with him and the New York Knicks. He deeply cares about kids and about the benefits financial education can provide for them." Following her endorsement of Thomas, her messaging shifts to program accomplishments. "Our internships connect winners with the realities of the business world. Over the years we've seen the results--and they've been astonishing. It's such a good feeling--you just get the shivers because this is the right thing to do" (Kertes, 2005).

<u>Analysis Based on Third Party Feedback</u>

During the research process, the author interviewed association executives for their perspectives on components necessary to ensure financial literacy initiative effectiveness. These individuals include Randy Lively, President of the American Financial Services Association and Jump$tart Coalition for Personal Financial Literacy, Dan Thoms, Vice President of Education and Business Development, Mortgage Bankers Association, and Lisa Boudin Carter, Executive Director of the BorrowSmart Education Foundation. Based on their feedback, the researcher found that the association executives agreed that necessary components of an effective partnership include 1) a common goal, 2) organized, yet open-minded collaboration, 3) honest communication and realistic expectations, and 4) appropriate curriculum. In this portion of the analysis section, the researcher will evaluate the Citigroup and Operation HOPE initiative and Merrill Lynch and Investing Pays Off initiative based on these criteria.

Citigroup and Operation HOPE clearly fulfilled the first requirement of a common goal. The goal of the campaign was empowerment: giving individuals, families and communities tools to make sound financial decisions. The goal is displayed on the Citigroup and Operation HOPE Web sites, in press materials, and is the initiative's core media message, with equal emphasis on empowerment by both Citigroup and Operation HOPE, as is demonstrated in the preceding section.

Citigroup and Operation HOPE's efforts appeared to have organized, yet open-minded collaboration. While the researcher was not privy to information regarding how the two organizations worked together, or which party was responsible for executing each portion of the initiative, the initiative appeared to share responsibilities, focusing on each group's unique areas of strength. The author was able to come to this conclusion as Citigroup spent a great deal of time in the classroom sharing their financial knowledge and contributed a great deal of capital. Operation HOPE clearly managed the curriculum development and relationships with additional third parties (schools). The researcher is however able to determine that the curriculum developed for this initiative was clearly appropriate as it received accolades from the Jump$tart Coalition for Personal Financial Literacy (jumpstart.org, 2003). As the researcher was not privy to conversations during program creation, the researcher is unable to determine if expectations were realistic. In addition, the researcher is unable to measure if the goal was created before the campaign, as the researcher is not privy to internal information.

Citigroup and Operation HOPE clearly demonstrated a common goal, an organized, yet open-minded collaboration, and appropriate curriculum. Honest communication and realistic expectations could not be determined due to the author's limitations in this study. Based on meeting three out of three measurable criteria of the third party association executives, the author feels that Citigroup and Operation HOPE's program was a success according to this system of measurement.

The Merrill Lynch and Investing Pays Off initiative had a common goal, which is "economic empowerment: committing to improving the economy in under-served communities." Similar to Citigroup and Operation HOPE, their goal clearly communicated on their Web sites, in press releases, and in news coverage, and was appropriately the same of as their primary corporate media message. Again, the researcher is unable to measure if the goal was created before the campaign. It appears that Merrill Lynch and Investing Pays Off partners had organized, yet open-minded collaboration based on publicity materials and news coverage that the author researched. The researcher was able to determine that Merrill Lynch provided corporate capital, classroom training, the use of their office space and Investing Pays Off partners delivered curriculum development and fostered a great deal of celebrity involvement. (It is important to note that there may be other components of ownership the author was not privy to as that information is internal.) Media responsibilities were clearly shared equally by Merrill Lynch and Investing Pays Off partners, as different program partners were often in the spotlight. Eddy Bayardelle of Merrill Lynch had an interview with the

New York Sun which spoke to Merrill Lynch's financial literacy contributions, while Investing Pays Off partners such as BizWorld, the Kurt Thomas Initiative or Sesame Street shared the spotlight in *Crains Business, New York Post,* and MuppetCentral.com, among others. As the researcher was not privy to conversations during program creation, the researcher is unable to determine if expectations set were realistic.

The curriculum developed for this initiative was clearly appropriate as it reached out to various ages of children in a format that was both educational and fun through the use of the Sesame Street and Kurt Thomas partnerships. The program was very thorough as it could be used in-school, after-school, evening and weekend programs at schools, community centers, nonprofit organizations and child care centers, and included an online component.

Merrill Lynch and Investing Pays Off clearly demonstrated a common goal, an organized, yet open-minded collaboration, and appropriate curriculum. Honest communication and realistic expectations could not be determined due to the author's limitations in this study. Based on meeting three out of three measurable criteria of the third party association executives, the author feels that the Merrill Lynch and Investing Pays Off initiative was a success according to this system of measurement.

Financial Results

The researcher was unable to obtain financial results for either campaign. While both initiatives were referenced by name in their respective annual reports, they were not line items with quantifiable, measurable pre- and post- initiative results. Therefore, the researcher was unable to make determinations based on this information.

Individuals employing these initiatives at their corporation or association would likely be granted access to all the financial data with respect to the initiatives, and should be able to employ this method of measurement in their own campaign analysis. The author, however, did not have access to such data for purposes of this case study. However, as all three financial literacy association experts interviewed for this thesis indicated, return on investment is not a recommended course of action for measuring an initiative. The author recommends keeping this portion of data in the measurement process, but making it a secondary means of measurement.

Financial Literacy Knowledge

Tangible, research-based empirical data was not available to the researcher to determine levels of financial literacy of the individuals in the initiatives studied before and after the campaigns were implemented. The author did not have access to the participants in either the Citigroup and Operation HOPE and Merrill Lynch and Investing Pays Off partnerships to test their financial knowledge as a result of completing the financial literacy program, nor did the researcher have access to any pre- or post-assessment testing that was completed by the purveyor of either initiative to assess this data.

Individuals employing these initiatives at their corporation or association would likely be granted access to all the participant testing data with respect to the initiatives, and should be able to employ this method of measurement in their own campaign analysis, even though the author was unable to use it for purposes of this case study. As all of the financial literacy association experts interviewed for this thesis found that testing financial literacy knowledge on an ongoing basis is a smart measurement technique, the author found this method to be a wise measure for determining campaign success.

CHAPTER V

Conclusion

This study supports that, first and foremost, a financial literacy initiative must have set goals and objectives in order to be effective. These goals need to be established by the corporation prior to entertaining partnerships with associations, and they need to be agreed upon by the partner association(s). When discussing partnership, it is critical that as entities, the corporation and association have compatible core values and operating styles. It is also imperative that both the corporation and association agree on their strategic focus, delegation of responsibility, and are committed to success as a team. The partners should agree up front to allow the corporation to leverage their areas of expertise, which is generally knowledge of subject matter, and allow the association to leverage their expertise, which is generally creation of curricular materials and determination of the delivery method of same, as well as the establishment or continuance of partnerships with non-profits. Working together, the partners should act as "checks and balances" of each other, communicating honestly and enlisting outside expertise when needed to ensure legitimate educational value and program accuracy, and to ensure financial service corporations are promoting themselves in a way that does not sacrifice the integrity of the program.

This paper indicates that a successful financial literacy initiative must be multifaceted, with at least one association partnership and may include multiple association / non-profit partnerships in order to successfully provide a sound educational experience and project a good corporate image through the initiative. Based on the background discussed in this thesis and interviews with third party executives, the researcher has come to the conclusion that collaboration is a worthwhile endeavor, and a necessary component for a successful financial literacy initiative. The reason for this is that corporations, associations, and other partner associations have unique strengths in terms of knowledge, expertise, manpower, and cost of goods and services to bring to a partnership that are wise to capitalize upon.

Based on the research conducted, the researcher feels that the most effective method of teaching children and adults can vary greatly, and also depends on subject matter. However, the researcher found that the classroom approach is generally found to be the best technique overall for educating both adults and children, and that generally the association is the most suitable initiative partner to create the curriculum.

An effective partnership as determined by the researcher in this study is not necessarily one with proven measurable success. While the researcher found that measurement is valuable, the researcher found that there is no empirical data to define absolute success for these initiatives, and there is currently no method in existence for accurately measuring one initiative against another fairly. One method of measurement that the researcher feels should be further explored and employed, based on historical success, is ongoing testing of financial literacy participants, before the course, immediately following the course, and years beyond testing, if possible.

The researcher feels that informal measurement of initiatives should continue to occur on an ongoing basis, in order to determine if an initiative is successful. The group carrying out the initiative should be open and receptive to any feedback regarding the program, and pay special attention to participant feedback, both verbal and non-verbal, and make program changes accordingly. Factors as simple as if participants are asking the right questions, look confused, or if they appear bored or energized by the materials can be an indication of the program's effectiveness, and should be considered valuable feedback at this time when there is so little measurable feedback.

Based on interviews with financial literacy experts at financial literacy associations, and background provided earlier in this thesis, one way to accurately determine if an initiative is successful is to measure the knowledge of a tested group on a continual basis to determine the retention of financial knowledge.

As information regarding measurement was inconclusive, determining how financial literacy initiatives can create a more financially literate youth and adults through partnerships, and how financial literacy programs can contribute to smarter consumer activity was not possible. However, as the measurement that was able to be done regarding financial literacy initiatives indicates that they are certainly not harming matters, the researcher speculates that the continuance of such initiatives will enable both of these factors to be measured in the future.

In this study, information regarding whether the Citigroup or Merrill Lynch campaigns were successful initiatives in furthering actual increased and retained financial knowledge could not be proven empirically as data regarding participants' pre- and post-initiative knowledge was unavailable.

In both the Citigroup and Merrill Lynch campaigns, the researcher found all positive news coverage of the initiatives, which reinforces the conclusion that these campaigns are worthwhile endeavors from a public relations perspective, and promote good corporate image. The researcher found many more articles on the Merrill Lynch initiative than on the Citigroup initiative, which is an indicator that the Merrill Lynch initiative had more media, and therefore more public, appeal. The majority of articles focused on Merrill Lynch and Investing Pays Off partnerships with NBA star Kurt Thomas and Sesame Street. This provides proof that expanding partnerships beyond traditional partners can generate great payoff in terms of public relations attention, and therefore more payoff in terms of overall public audience attention.

According to measurement criteria established by financial literacy association executives, both the Citigroup and Merrill Lynch campaigns were successful. These individuals required that initiatives do the following in order to be successful: 1) have a common goal, 2) are organized, yet open-minded collaboration, 3) have honest communication and realistic expectations, and 4) use appropriate curriculum. Insofar as the researcher was able to measure against this criteria using public information, both initiatives were determined a great success, meeting three out of three measurable criteria. (Honest communication and realistic expectations were removed from the analysis as th~~e researcher did not have access to this information).~~

Proof of financial gain or loss could not be determined based on the criteria of this thesis. Proof of how financial service corporations could improve their financial standings through employing a financial literacy initiative was also unable to be determined. In order to prove financial gain, formal financial goals should be stated at the outset of the program to make the analysis of the financial investment simple. It is important to note that the researcher believes that initiatives of this nature should not be tied to generation of revenue, as experts' commentary has indicated this is far too difficult to measure. The researcher feels strongly that if an organization's primary rationale for employing a financial literacy initiative is revenue generation, they would be wise to re-consider.

Therefore, overall, the author finds that both the Citigroup and Operation HOPE, and Merrill Lynch campaigns are successful based on the tenets of this paper. In addition, based on the extent of the research of this study, the author has found the following hypothesis to be true:

Financial service corporations can most effectively partner with financial literacy associations by entering into long-term, multi-pronged partnerships that utilize proven educational methods, employ the use of public relations, and are tailored to the strengths, philosophies, and resources of both the financial service corporation and financial literacy association.

Next Steps

During the research process, the researcher found that although there is no empirical data currently available concerning measurement of financial literacy initiatives, but that there is a lot of focus shifting to this area. In coming years, it is likely that more initiatives will be measured, in the very least through pre- and post- assessment testing, and future researchers should take advantage of this information as it becomes available to determine a more scientific means for measurement. However, the researcher believes that the measurement of financial literacy initiatives will always be more of an art than a science. Therefore, in addition to attempting to develop more scientific means for measurement, future researchers should continue to pay close attention to the various nuances of financial literacy partnerships to determine new and elaborate on current perspectives for calculating what makes a financial literacy initiative a success.

The researcher recommends that future researchers spend additional time determining how financial literacy initiatives can create a more financially literate youth and adults through partnerships, and how financial literacy programs can contribute to smarter consumer activity and a better overall economy. The author surmises that with in increase of frequency and accuracy of program measurement of financial literacy initiatives in coming years, these factors will become more certain in coming years.

The researcher recommends that future researchers spend time researching specific components of initiatives for children and adults to determine their effectiveness and impact on retention and implementation of knowledge.

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